

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-11 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

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E.O. 11652: N/A

TAGS: ETRD, EEC, IT

SUBJECT: COUNTERVAILING DUTIES: FLOAT GLASS CASE

REF: ROME 3265

THERE FOLLOWS THE TEXT (INFORMAL EMBASSY TRANSLATION) OF A
FEBRUARY 28, 1976 PAPER FROM THE MINISTRY OF FOREIGN TRADE
TO THE MINISTRY OF FOREIGN AFFAIRS, COPY TO THE ITALIAN
MISSION TO THE EC, ON COUNTERVAILING DUTIES ON FLOAT GLASS.

BEGIN TEXT. IN RELATION TO SUBJECT MATTER, PLEASE BE
ADVISED THAT, ACCORDING TO INFORMATION MADE AVAILABLE BY
SIV (SOCIETA' ITALIANA VETRO) ABOUT ITS OWN COMPANY ACCOUNT-
ING, IT SEEMS IT IS POSSIBLE TO TAKE FURTHER ACTION WITH
US DEPARTMENT OF THE TREASURY WITH FAVORABLE PROSPECTS OF
SOLUTION. THE DATA PROVIDED PERMITS TO NOTICE THAT SIV,
FOR THE DEVELOPMENT OF THE FLOAT GLASS PRODUCTION LINE OF
SAN SALVO, DID NOT TAKE COMPLETE ADVANTAGE OF THE
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FINANCIAL BENEFITS ENVISAGED BY LAW. IN FACT, FOR A TOTAL

INVESTMENT OF LIRE 25,736 MILLION, SIV OBTAINED A LOW INTEREST (7.50 PERCENT) CREDIT OF LIRE 4,800 MILLION, WITH A TEN-YEAR AMORTIZATION, AND ASKED IMI FOR A SECOND CREDIT OF LIRE 3,500 MILLION, WHICH HAS NOT BEEN GRANTED AS YET. THE TOTAL SUM OF THE TWO CREDITS (BUT IT MUST BE POINTED OUT THAT THE SECOND HAS NOT BEEN GRANTED AS YET) AMOUNTS TO LIRE 8,300 MILLION, I.E. ABOUT 32 PERCENT OF THE TOTAL INVESTMENT MADE BY SIV, WHILE THE LAWS IN FORCE ENVISAGE THAT LOW INTEREST CREDIT MAY REACH THE 50 PERCENT OF THE TOTAL INVESTMENT. FOR THE SAME PLANT SIV ASKED THE FUND FOR THE SOUTH FOR A CAPITAL (NOT REIMBURSABLE) CONTRIBUTION OF LIRE 1,400 MILLION, WHICH HAVE NOT BEEN GRANTED AS YET AND REPRESENT 5.5 PERCENT OF THE TOTAL INVESTMENT OF LIRE 25,736 MILLION, WHILE THE LAWS IN FORCE ENVISAGE THAT THE CONTRIBUTION MAY REACH 12 PERCENT.

ACCORDING TO THESE DATA AND SINCE SIV PAYS TO THE BANKS A 10.50 PERCENT RATE ON ITS OWN NORMAL LINES OF ORDINARY CREDIT, ONE CAN SEE THAT THE CREDIT OBTAINED IMPLIED, AS REGARDS INTEREST, A 3 PERCENT ANNUAL SAVING, I.E. LIRE 144 MILLION. IF AND WHEN THE SECOND CREDIT OF LIRE 3,500 MILLION WILL BE GRANTED, SIV WILL OBTAIN A FURTHER ANNUAL SAVING OF LIRE 105 MILLION. IF AND WHEN THE NOT REIMBURSABLE CONTRIBUTION WILL BE GRANTED, SIV WILL OBTAIN AN ANNUAL SAVING OF LIRE 93,330,000 FOR 15 YEARS. THE SUM OF THESE THREE SAVINGS AMOUNTS TO A TOTAL OF LIRE 343,330,000 PER YEAR WHICH, REFERRED TO THE OVERALL ANNUAL AVERAGE PRODUCTION, AS COMPARED TO THE REAL COST, IMPLIES THAT LIRE 2,800, I.E. 1.6 PERCENT WILL BE SAVED ON EACH TON OF SALABLE GLASS.

FOR YEAR INFORMATION, IT CAN BE ADDED THAT, ACCORDING TO ITS RECTIFIED BALANCE SHEET DATA, SIV PRODUCED IN 1975 114,617 TONS OF FLOAT AND EXPORTED 17,615 TONS OF IT TO THE COMMUNITY COUNTRIES, 875 TO THE UNITED STATES, AND 2,289 TO OTHER COUNTRIES. (THE QUANTITY EXPORTED TO THE USA IS EQUIVALENT TO 4.12 PERCENT OF THE TOTAL EXPORT AND TO 0.7 PERCENT OF THE TOTAL PRODUCED).

THE REMARKS AND PARTICULARLY THE DATA MENTIONED ABOVE SHOULD INDUCE THE AMERICAN AUTHORITIES TO REEXAMINE THE PRO-LIMITED OFFICIAL USE

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VISIONS ADOPTED AND TO CONTRIBUTE TO A POSITIVE SOLUTION OF THE ENTIRE MATTER.

AT THIS POINT SOME CONSIDERATIONS SHOULD BE MADE ON THE WAY THE AMERICAN AUTHORITIES HAVE INSTITUTED THE COUNTERVAILING DUTIES AND PARTICULARLY ON THE EVALUATION OF THE ADVANTAGE DERIVING FROM THE COUNTERVAILING DUTIES. IN FACT, THE ONLY ARGUMENTATIONS TAKEN INTO ACCOUNT WERE THOSE PRODUCED

IN THE CLAIM PRESENTED PAST YEAR IN FEBRUARY AND ACCORDING TO WHICH, ON THE BASIS OF MISLEADING, COMPLEX AND, UNFORTUNATELY, GROSSLY WRONG CALCULATIONS, THE COST OF EACH TON OF GLASS WAS REDUCED, OWING TO THE BENEFITS ENVISAGED BY THE ITALIAN LAWS, BY \$40 IN 1974 AND 1975, AND ALWAYS MORE IN THE FOLLOWING YEARS (ACCORDING TO THE EXCHANGE RATE USED IN THE CLAIM - LIRE 581 PER DOLLAR - ABOUT LIRE 23,240. I.E. 13 PERCENT PER TON).

ACTUALLY, AT PAGE 31 OF THE CLAIM PRESENTED BY THE AMERICAN PRODUCERS, IN THE COLUMN WHERE THE NOT REIMBURSABLE CONTRIBUTIONS (INVESTMENT GRANTS) THAT SIV ALLEGEDLY OBTAINED ARE LISTED, ONE CAN SEE THE FIGURE OF \$14.5 MILLION, WHILE THIS FIGURE (ACCORDING TO THE CLAIMANTS' LOGIC) SHOULD BE OF \$2.25 MILLION, AS SHOWN IN THE SAME DOCUMENT AT PAGE 28. THE MISTAKE CAN BE EASILY PROVED SINCE THE \$14.5 MILLION REPRESENT THE LOW INTEREST CREDIT OBTAINED, ACCORDING TO THOSE WHO LODGED THE CLAIM, BY SIV, ON THE BASIS OF WHICH CREDIT THE BENEFITS IN TERMS OF A REDUCTION IN INTEREST RATES HAVE BEEN CALCULATED. NOW, EVEN FOLLOWING THE CALCULATION SHOWN IN THE CLAIM (WRONG CALCULATION, ACCORDING TO THE DATA PROVIDED BY SOV), BUT WITH THE AFORESAID CORRECTION, THE BENEFIT OBTAINED BY THE ITALIAN COMPANY WOULD AMOUNT TO \$6.9 MILLION AND NOT \$19.1 MILLION. CONSIDERING THIS BENEFIT IN TERMS OF TONS OF GLASS, THE SUBSIDY GRANTED IN ITALY TO THE PRODUCTION WOULD AMOUNT APPROXIMATELY TO \$11, I.E. LIRE 6,391. THESE FIGURES REPRESENT A 3.6 PERCENT BENEFIT WHICH SHOULD THEREFORE BE DIRECTLY RELATED TO THE AMOUNT OF DUTIES.

CONSIDERING THAT THE ACTION TAKEN AGAINST THE OTHER COMMUNITY COUNTRIES HAD NEGATIVE RESULTS AND SINCE THE SUBSIDY ASCERTAINED WAS AROUND 2-3 PERCENT, ONE CAN DEDUCE THAT, LIMITED OFFICIAL USE

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SHOULD THE AMERICAN AUTHORITIES HAVE TRIED TO VERIFY THE CALCULATIONS SUBMITTED BY THE CLAIMANT, ALSO THE ACTION TAKEN AGAINST US WOULD HAVE GIVEN A NEGATIVE RESULT EVEN IF, ACCORDING TO THE FIGURES SUBMITTED, SIV HAD BENEFITED TO THE LARGEST POSSIBLE EXTENT BY THE FINANCIAL GRANTS ENVISAGED BY OUR LAWS FOR THE SOUTH. END TEXT.VOLPE

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